

7000 FORMS & INSTRUCTIONS

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7010 REQUEST FOR FIELD ACTION (FORM FTB 7024)

Complete form FTB 7024, Request for Field Action, for each case being referred to a Program Office. Form FTB 7024 should provide a description of all returns and any other documents being forwarded. The package being sent to the field should be assembled in the following order:

- Form FTB 7024
- Return(s)
- Audit file(s)

Do not send the following:

- Current tax clearance certificate data
- NPAs that are not yet final
- The corporate folder

A notation should be made on form FTB 7024 calling attention to any special problems identified such as imminent statute expiration or pending tax clearance action. The Tax Clearance Unit should be notified for any field referrals pending a tax clearance.

INSTRUCTIONS TO COMPLETE FORM FTB 7024:

1. District. Enter the Program Office.
2. Earliest Statute Date. Enter the earliest statute of limitations date for the returns being sent.
3. Name, Account Number, & Years. Enter the taxpayer's name, account number, claim number (if applicable), and the years of the returns being referred to the field office. Circle the years for any returns being sent for reference. Do not include in this area any prior audit report or other information being referred to the field. These should be referenced in the Special Instructions area of the form.
4. Reason. Check the box for the appropriate reason why the returns are being sent. Indicate in the area designated whether the return is being sent to the field due to the taxpayer's or the field auditor's request.
5. Special Instructions. The comments here may include a detailed listing of the potential areas of examination or any other special instructions for the field auditor. If a prior audit report and/or other information is being sent along with the returns, indicate so in this area.
6. Send form FTB 4102 or Special Letter. Identify whether a letter is being sent to notify the taxpayer and/or the taxpayer's representative that the returns are being sent to the

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field office. A letter should only be sent to the taxpayer when it is necessary for the taxpayer to know that its returns are being transferred to the field for examination.

7. Name and Address of Taxpayer or Taxpayer's Representative. If the auditor is aware of a change in the taxpayer's and/or the representative's address, it should be indicated and the address updated on BETS and or TI.

Once form FTB 7024 has been completed, the following procedures should be followed:

- If the case being sent to the field is a refund claim, the case should be taken to the Claims Control Desk. All other cases, except water's-edge cases (which are worked by the water's edge team) should be submitted to your lead auditor. The lead auditor will then take the case to the Work Control Desk.
- The Claims Control Desk or the Work Control Desk will route the cases to the Program Office indicated on the form.
- The Program Office receiving the case will update the PASS file upon receipt of the return.

7020 NPA WORKSHEET (FORM FTB 6830-BCT)

Form FTB 6830-BCT is to be used in preparing Notices of Proposed Assessment (NPA) and Overassessments (O/A) for corporate taxpayers. (See **MAPM 7060** for procedures for the Water's-Edge election fee.) This worksheet is available in the *****.

It is important that the auditor check the account status on BETS, * * for each taxpayer in the combined group, prior to preparing the form 6830-BCT worksheet. If the group contains a suspended taxpayer, a separate notice must be issued to the suspended taxpayer. See **MAPM 6170** for information about suspended corporations.

It is important that the auditor verify the previously assessed tax on BETS, * * before preparing the form 6830-BCT worksheet.

INSTRUCTIONS:

1. **NOTICE UNRELATED & NOTICE RELATED.** Check the proper box to indicate if the notice is related or unrelated to another notice that is being issued at the same time.

Related Notice: any notice associated with another notice that should be processed together regardless of any subsequent action such as a protest or appeal.

Unrelated Notice: any notice resulting in a bill, refund/offset that should be processed independently of other notices, regardless of any subsequent action such as a protest or appeal.

Please note: Most notices will be related notices. The unrelated notice will be the exception.

2. **DO NOT MAIL NPA.** Check here if additional tax was paid and an NPA is not to be mailed. Use payment paragraphs 50699--50702. The notation "Do not type" should be written across the face of the worksheet in instances where the NPA is not typed.
3. **AUTHORIZED OFFSET.** Check here if the taxpayer has authorized a deficiency to be offset by an overpayment.

If the audit is agreed, contains only related notices, and the auditor has obtained **written** approval from the taxpayer, or representative, to offset an overassessment to an assessment prior to expiration of the 60 days protest

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period then:

Check the "Notice Related" boxes for all over-assessment and deficiency assessment notices on all worksheets.

Write the word "OFFSET" on top of the over-assessment worksheet(s) to indicate that the taxpayer's written authorization was received.

4. ASSUMER. Check here if there is an assumer. See **MAPM 7040** for assumer instructions.
5. FT & CIT. Check the box indicating whether the notice is issued under the Corporation Tax Law or the Corporation Income Tax Law.
6. O/A & J/A. Check O/A for an overassessment and J/A for jeopardy and bankruptcy cases. See the following sections for more detail regarding overassessments, jeopardy, and bankruptcy: **MAPM 10000**, **MAPM 6080**, AND **MAPM 14000**.
7. ASSUMER ID NO. Enter the Social Security number or corporation number of the assumer.
8. CORP NO. Enter the California corporate number. Corporation numbers must contain seven digits. Do not include the prefixes "D", "F", "NQIT", or "NQFT", but do include the prefixed "NB" (National Banks), "FSLA" (Federal Savings and Loan Associations). Or "FPCA" (Federal Production Credit Associations).
9. J/A NO. If a jeopardy assessment is being issued, enter the form to be used and circle it in red pencil: form FTB 5837 or form FTB 5840. **MAPM 6080**
10. SOL. Enter date statute expires if other than normal statute or statute extended by State waiver or if the normal statute will expire within four months after the file is submitted to Review.
11. NO. OF NOTICES. Enter the number of Notices of Proposed Assessment (NPAs) and the number of Overpayments (O/As) being sent to the taxpayer or affiliated group.

Example

2 NPAs Only	write NPA 2
2 NPAs and 1	write NPA 2, OA 1
O/A	

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Do Not Write 1 of 3, 2 of 3, etc.

12. NO. OF ENC. Indicate the total number of enclosures to be mailed; i.e. 7 audit schedules.
13. TXP. Enter "T/P" if the name and address of the taxpayer shown on the taxpayer's latest return is the same as shown on the taxpayer's BETS account. Show the correct name and/or address on the form 6830-BCT when the address on the latest return in the file is incorrect. If the corporation has dissolved, withdrawn, liquidated, etc., see **MAPM 7040**.

The auditor should also check whether the taxpayer wants a copy of the notice sent to an address other than the "primary" address listed in BETS (* *). If so, a "mailing" address should be added to BETS and a copy sent. The mailing address information should also be added to the audit narrative. See MAPM 6040.

CAUTION: If the name or mailing address of the corporation has changed, it is the auditor's responsibility to verify that BETS is corrected immediately. BETS transactions may be completed by the public service staff, the audit support staff, or the auditor as designated by the program manager. The California Secretary of State must approve a name change.

- a. The name of the individual or corporation presently liable for payment of the assessment will appear in the heading.
 - b. Never include "formerly known as -----" or "DBA" in the heading.
 - c. In the case of refunds, the taxpayer will be the original corporation making the overpayment.
14. CC REP. The auditor should indicate the name and address of the representative to whom copies of the NPA should be sent. A copy should be sent when the auditor was working with an outside representative. Even if the representative requests that the notice be sent in their care, the original should generally be sent to the taxpayer. A copy should not be sent to a person who is not authorized to represent the taxpayer since this would violate the confidentiality provisions of the law.

If the taxpayer has an assumer, and there is no representative, enter the name of the assumer here. Be sure to cross out "rep" and write "assumer". Otherwise, write the name and address of the assumer in the body of the

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CLAIMS:

- For a formal claim, enter the issue code on form FTB 6638 or NPA worksheet.
- For the lists of issue codes, see **MAPM 7030**.

20. NET INC AS REPORTED; UNITARY BUS INCOME; INC PER SCH____:
Check the box for starting income, if applicable.

Start with net income after state adjustments as reported for general corporation audits; unitary business income for apportionment audits; income per Schedule I when supplemental schedules for computations on apportionment cases are used.

If net income or unitary business income has been revised previously, enter phrase, such as "per amended return", "per NPA dated ____" or "per NC (Notice of Cancellation) dated ____". For alternative starting income, which is warranted by the nature of the circumstances or

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adjustments, see Item 21.

Regardless of the starting point, income shown must be pre-apportionment.

Note: When enter amounts on O/As, you may round to the nearest dollars.
On NPAs it's necessary to include dollars and cents.

21. ITEM ADJUSTMENTS. Adjustment description and written paragraph explanations are entered here. The adjustment items should be described sufficiently so the taxpayer can identify the item adjusted.

When separate schedules are attached, rather than making several computations on form FTB 6830, the paragraph explaining the adjustments should be on form FTB 6830 with "per Schedule I attached" added. (This will usually apply to smaller audits or Desk Audits.) In the field, especially on large case audits, the MSA Principal schedules are provided to the taxpayer or the taxpayer's representative, prior to the close of the audit. In this situation, a paragraph will be added referencing those schedules previously furnished rather than attached.

If the description for the starting income in Item 20 is not appropriate, enter the appropriate phrase here.

22. APPORTION_____ % TO CALIFORNIA. Enter the California apportionment percentage.
23. NONBUSINESS INC. WHOLLY ATTRIBUTABLE TO CA: Enter the nonbusiness income allocated to California.
24. CONTRIBUTION ADJUSTMENT: Enter Contribution Adjustment.
25. REVISED STATE NET INCOME. The amount of the revised net income must be entered in all cases. When special computations are required on combination apportionment audits, make reference to a schedule, when appropriate. Write "Per Schedule I" if a copy was provided to the taxpayer. (Note: NEVER put dollar amounts in the cents column.)
26. PASSIVE INC.; NOL C/O DED.; LARZ/EZ NOL; DISASTER LOSS: Check the appropriate box to indicate if the following income deduction item(s) are reported: Passive Income Deduction; NOL Carryover Deduction; LARZ, EZ, LAMBRA NOL Carryover Deduction; and Disaster Loss Carryover Deduction.

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You must include the allowable amount of any of the above income deductions (for all General and Apportioning Corporations) regardless of whether you are adjusting or not adjusting them. If these income deduction items are not reported, Audit Support and BETS * * * * * will assume the taxpayer has no NOL carryovers, etc. to offset net income and create an incorrect NPA.

27. REVISED TAXABLE NET INCOME. Enter the revised taxable net income after any income deduction items were deducted.
28. TAX AT ____ MINIMUM TAX, PREPAYMENT TAX. The amount of tax will be entered in all cases, unless supplemental schedules are referenced. The tax rate will be entered in all cases where a standard or composite rate is applicable. On financial tax computations and special combination and apportionment audits, additional computations are required and should be shown in Item 37 (paragraph area), keyed in with an asterisk or on a supplemental schedule.

If minimum tax or prepayment tax applies, check the box located to the left for that item and either,

- Separately list the total minimum tax on the "Total Amount of Minimum Tax" line, or enter prepayment tax amount on the "Prepayment Tax" line, or
- On the "Tax at" line state "Per Sch I" instead of listing the tax rate if a supplemental schedule is used.

In combined reporting situations, where more than one of these may apply refer to the schedule furnished to the representative at the "Tax at" line. (For example, enter "Per Sch I".)

If the taxpayer is referred to a schedule, do not check the box to the left of "Tax at".

The only time the "Tax at" box should be checked is when the "Revised Taxable Net Income" times the tax rate equals the tax stated on the notice.

29. LESS TAX CREDITS. Enter tax credit(s). If a change is proposed, attach a schedule. If MIC, LARZ, or R & D credits apply, check the box. For other miscellaneous credits, check the box and enter the name of the

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credit.

30. NET TAX. The net tax amount is only required if different from total tax.
31. AMT and OTHER TAXES. Check the appropriate box if Alternative Minimum Tax or other taxes apply. Enter the amount of the AMT or other taxes. If a change is proposed, attach a schedule showing the revised computation. If other taxes apply, enter a description of the tax. Use descriptions such as: "S corporation tax on certain capital gains", "Tax on built-in gains", or "Tax on excess net passive investment income." Do not refer to law sections or regulations on this line, such as "Tax imposed under R&TC Section 23811."
32. TOTAL TAX. Enter total revised tax plus AMT, and other taxes.
33. PREVIOUSLY ASSESSED. Enter the total amount of tax previously assessed, including AMT and other taxes (enter a previously proposed overassessment, which remains unpaid, to the left of the money column.) For combined reports, list corporate names, numbers and amounts for each corporation included in the total previously assessed either with an asterisk on form FTB 6830 or attach schedule to form FTB 6830. If separate NPAs are being issued or when intrastate apportionment is applied to taxpayers that had been included in a group filing (under Schedule R-7), the previously assessed tax for each taxpayer should be determined in accordance with intrastate apportionment principles as explained in FTB Legal Ruling 95-2. Previously assessed tax may be from the original return, amended return or previous NPA. The auditor must verify the amount of the previously assessed tax by checking the taxpayer's account on BETS, * * , and cannot just rely on the tax amount that appears on the face of the original tax return.

CAUTION: To reduce errors, the auditor, supervisor and reviewer must review taxpayer's current account status. A check of the taxpayer's BETS (* *) account may reveal changes to the original self-assessed amounts. This is important when the entire audit file is unavailable or when relying on representative's copy of return. It is also important for financial corporations where the rate may be changed after the return is filed.

For old years where the tax information has been purged off the BCM or BETS, request the information via the Business Entities' Home Page http://* *
* * * * *

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An NPA does not become final until the expiration of the 60-day protest period or the expiration of the 30-day period after issuance of a Notice of Action of Affirmation or Revision.

34. TOTAL ADDITIONAL TAX or OVERASSESSMENT. Check which box applies and enter the total additional tax or overassessment.

If there is no penalty, this will be the last line filled in for a deficiency, overassessment, or Notice of Action revising an NPA.

An overassessment will be entered to the left of the money column, in brackets.

35. PENALTY. Complete if any penalties apply. Enter percentage and a description of the penalty. Use descriptions such as "Late Filing", "Accuracy Related", etc. rather than the section of the law.

Generally, the penalty will be computed only on the additional tax. Exceptions are:

- a) If it is determined there should have been a delinquent filing penalty, but the original return was assessed for tax only;
- b) Fraud penalty is assessed and there has been a previous NPA or amended return; or
- c) Penalty for failure to furnish information requested applies to only a portion of the deficiency. (If a representative fails to submit information, a request should be addressed to the taxpayer before the penalty is imposed.)

Accuracy related penalty is applied to the portion of the tax associated with a particular issue.

36. TOTAL ADDITIONAL TAX AND PENALTY. Enter the total additional tax and penalties. If this is a net overassessment, enter to the left of the money column, in brackets.

When the taxpayer pays the additional tax at the time of the audit, interest should be computed to the date of payment, however no interest figure should be entered on the form FTB 6830. NPA paragraphs 50706 or 50707 should be used to indicate to the taxpayer the portion of the

payment being applied towards interest.

37. **PARAGRAPH NUMBER(S).** Paragraph codes, typed or handwritten paragraphs, and short computations may be entered here. If calculations must be made for items 22-36, the computations may be shown in this area and keyed to the line number with an asterisk.

If the adjustments were based on field audit schedules previously provided to the taxpayer or the representative, NPA paragraphs 52656 or 52657 may be used.

If payment is secured prior to issuance of the NPA, enter the appropriate paragraph to notify taxpayer of payment received. Also see **MAPM 6100** and **MAPM 6110** for processing payments.

38. **PREPARER AND DATE.** The auditor's name and date are entered here.
39. **REVIEWER #1 AND DATE; REVIEWER #2 AND DATE.** Enter the names of the reviewers who performed the first-level and second level reviews and the respective dates when their reviews are complete.

Reviewed: January 2006

7025 REVENUE CODES

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NOTE: ((* *)) = Indicates confidential and/or proprietary information that has been deleted.

Reviewed: January 2006

7030 AUDIT ISSUE CODES

The four-digit code is based on the five-digit CR&TC statute section numbers. Dropping the first digit of the law section, as follows, changes the five-digit law section into a four-digit audit Issue Code:

STATUTE SERIES	ISSUE CODE	STATUTE
23000	3000	B&C Tax Laws
24000	4000	B&C Income and Deductions

MSA audit issues employ a unique series of numbers (see attached list) to specifically identify the audit issues involved. For example, R&TC Section 25101 is too broad when dealing with taxpayer combinations (e.g., worldwide combinations, diverse businesses, etc.)

If a standard NPA paragraph is used on the NPA worksheet, use the NPA Paragraph Manual to determine the applicable issue code. This manual has been revised to incorporate these codes.

NPAs/O/As

For every NPA or O/A issued, determine the applicable issue codes. Up to three codes may be used for each year (only one for O/As). If more than one issue code is applicable, use the most predominant code first. Both the NPA worksheet and the formal claim worksheet contain specific boxes for issue codes.

APPORTIONING AUDIT ISSUE CODES

Assessment Issue	Issue
Allocation & Apportionment General	0000
Doing Business	
Doing Business Within and Outside California	0010
Doing Business - Agency Relationships	0011
Doing Business - Independent Contractors	0012
Commercial Domicile	0013
Legal Domicile	0014
Income Adjustments	
Foreign Currency Translation	0020
Interest Offset	0021
Contribution adjustment	0022

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Safe Harbor Lease Adjustments	0024
Michigan Single Business Taxes	0025
Section 78 Gross-Up	0026
Foreign Taxes	0027
Income adjustments - Miscellaneous	0099
Factor Adjustments	
Property Factor	
Capitalized Rents	0103
Construction/Work in Progress	0104
Foreign Currency Conversion	0105
Government Property	0106
Idle/Nonbusiness Property	0107
In Transit	0108
Inventories	0109
Land	0110
Partnership Property	0111
Progress Billings	0112
Other	0199
Payroll Factor	
Base of Operations/Control	0200
Compensation	0201
Construction of Assets	0202
Exclusions	0203
Foreign Affiliates	0204
Independent Contractors	0205
Mobile Employees	0206
Operation of Government Plant	0207
Paid or Accrued	0208
Partnership Share	0209
Related to Nonbusiness Income	0210
Intercompany Eliminations	0211
Other	0299
Sales Factor	
DISC/FSC	0300
Dividend income	0301
Double Throwback Sales	0302
Gain/Loss on Sale of Assets	0303
Government Facility/Cost+Fee	0304
Gross Receipts	0305
Installment Sales	0306
Intercompany Elimination's	0307

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Leases	0309
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Receipts from Services	0312
Receipts from Intangibles	0313
Rental Income	0314
Royalty Income	0315
Sales to US Government	0316
Throwback Sales	0317
Other	0399
Special Formulas	
Air Transportation	0400
Banks and Financials	0401
Commercial Fishing	0402
Franchisers	0403
General/Financial	0404
Long Term Contracts	0405
Motion Picture/TV	0406
One or Two Factors	0407
Partnerships	0408
Railroads	0409
Sea Transportation	0410
Special Industries	0411
Trucking Companies	0412
Other	0499
Business/Nonbusiness Income	
Dividends	0500
Gains/Losses	0501
Interest Income	0502
Nonbusiness Expenses	0503
Partnership	0504
Rental Income	0505
Royalty Income	0506
California Income	0507
Other	0599
Combinations/Decombinations	
Domestic Parent with Worldwide Activities	0600
Full Decombination of Foreign Subsidiaries	0601
Partial Decombination of Foreign Subsidiaries	0602
Full Combination of Foreign Subsidiaries	0603
Partial Combination of Foreign Subsidiaries	0604

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Decombinations	0620
Diverse Business - Lines of Business	0621
Diverse Business - Multiple Formulas	0622
Diverse Business - 482 Allocation	0623
Instant Unity	0630
Ownership/Control	0631
Holding Company	0632
Other Decombinations	0639
Combinations	0640
Ownership/Control	0641
Strong Central Management	0642
Exchange of Product/Flow of Goods	0643
Vertical/Horizontal Integration	0644
Water's Edge	
Water's-Edge - 80/20 Corporations	0700
Water's-Edge - Branch Separate Accounting	0701
Water's-Edge - Controlled Foreign Corporation	0702
Water's-Edge - Domestic Disclosure Spreadsheet	0703
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Water's-Edge - Election Fee	0707
Dividend Exclusions Section 24402	0720
Dividend Exclusions Section 24410	0721
Dividend Exclusions Section 24411	0722
Dividend Exclusions Section 25106	0723
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Exempts - R&TC Section 23701(d), IRC §501(c)(3)	0903
Exempts - R&TC Section 23701(f), IRC §501(c)(4)	0904
Exempts - R&TC Section 23701(a), IRC §501(c)(5)	0905
Exempts - R&TC Section 23701(e), IRC §501(c)(6)	0906
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Exempts - R&TC Section 23701(b), IRC §501(c)(8)	0908
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Exempts - R&TC Section 23701(w), IRC §501(c)(19)	0919
Exempts - R&TC Section 23701(q), IRC §501(c) (Repealed for TYE beginning on/after 1/1/1999)	0920
Exempts - R&TC Section 23701(x), IRC §501(C)(25)	0925
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Exempts - R&TC Section 23701(k), IRC §501(d)	0929
Exempts - R&TC Section 23701(m), (Repealed for TYE beginning on/after 1/1/1988)	0930
Exempts - R&TC Section 23701(p), IRC §401(a)	0931
Exempts - R&TC Section 23701(v)	0932
Exempts - R&TC Section 23701(u)	0933
Exempts - Revocation	0999

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7040 NAME AND ADDRESS OF TAXPAYER

1. Use the exact name of the corporation and enter the corporate number in the line provided. When there is a corporate assumer and/or transferee, a transaction needs to be performed in BETS * * * * *to enter the assumer's account number. Refer to MAPM 7020 for instructions on filling out the NPA worksheet.

2. If an assumption of liability was made by another corporation or by individuals, the corporate name and number will be shown as the taxpayer and the assumers will be added to the heading as assumer and/or transferee. This particular format will be used in most situations. For example:

*White Corporation No. 0876540, Taxpayer, and
Green Corporation No. 0765430, Assumer and/or Transferee*

or

*White Corporation No. 0876540, Taxpayer, and
John Doe, Richard Roe, and John Smith Assumers and/or Transferees*

3. If the corporation has dissolved, withdrawn, or become entirely inactive as a result of a reorganization, and the adjustment is to be reflected on the accounts of a transferee corporation, the notice will be prepared in the name of the transferee corporation as successor in interest to the transferor corporation. The corporate number will be included in the heading. For example:

*Green Corporation No. 0123456
Successor in interest to Brown Corporation No. 0567890*

If there are two successors in interest, only the last two corporations are shown in the heading and the first corporation will be shown in the net income line at the beginning of the notice. For example:

"Heading"

*Black Corporation No. 0345678
Successor in interest to Green Corporation No. 0123456*

"Body of notice"

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Net income of Brown Corporation, No. 0567890 which was succeeded to by Green Corporation, \$100,000.00.

4. If transferee liability is established as a means of collection, the corporation name and number is shown as the taxpayer and the transferees are added to the heading. Use only the principal transferees, or if ownership of stock was evenly divided, list the transferees who are most promising for collection. For example:

*White Corporation No. 0876540, Taxpayer, and
John Doe, Richard Roe, and John Smith Transferees.*

Copies will be mailed to each transferee as well as to the corporation. Show the address of each transferee. Use any available space on the form to show the transferees' mailing addresses. Circle them to indicate to the typist that the addresses are not to be typed as part of the NPA.

5. If a notice has been issued to the taxpayer and it later becomes necessary to issue the SAME notice to assumers or transferees, it should be issued as shown in the following examples:

John Doe, Richard Roe, and John Smith Transferees of ABC Corporation No. 0109290.

John Doe, Richard Roe, and John Smith Assumers and/or Transferees of ABC.

In such cases use "Previously paid" rather than "Previously assessed," especially where the taxpayer has not paid all of its self-assessed tax liability. Copies will be mailed to each transferee or assumer, but not to the taxpayer corporation.

6. In the case of refunds, the taxpayer will be the original corporation making the overpayment, regardless of subsequent assumers, transferees, successors in interest, etc. For example:

*ABC Corporation (Taxpayer making overpayment) c/o XYZ Corporation
(Successor or assumer) Address of XYZ Corporation*

Where the amount being refunded was assessed to the assumer, transferee, successor in interest, etc., that corporation will be shown as the taxpayer.

7. A notice issued to a bankrupt corporation should be headed in the usual manner. If the receiver requests a copy of the notice, indicate on form FTB 6830. Add form FTB 5836 with bankruptcy number above the boxes on form FTB 6830. Following is an example of the heading for a bankrupt corporation:

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ABC Corporation, No. 0109290 c/o John Doe, Receiver (or referee) in bankruptcy

NOTE: ((* * *)) = Indicates confidential and/or proprietary information that has been deleted.

Reviewed: January 2006

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7050 CLAIM RECOMMENDATIONS (FORM FTB 6638)

Form FTB 6638 is to be used in all cases where a claim for refund is either being allowed or denied **IN FULL**. The form is available in *****.

For information on when to use this form see **MAPM 10000**.

Form FTB 6638 - INSTRUCTIONS.

1. Taxpayer Name: Use the exact name of the corporation.
2. Taxpayer ID: Enter the corporate number.
3. Created By: Enter the auditor's name.
4. IncomeYear(s): The taxable year is entered in every case. Enter the month and year.
5. Cc(s): The auditor should indicate the name and address of the representative(s) to whom a copy of the notice should be sent. A copy should be sent when the auditor is dealing with an outside representative.
6. Reviewer & Review Date: Enter the reviewer's name and the date the review was completed.
7. Deny Claim For Refund For: Place an X in this box only if the claim is to be denied in full. An explanation of the denial must be made. See #9. Enter the tax year and the amount of the claim. It is not necessary to put a claim number.
8. Allow Claim For Refund For: Place an X in this box only if the claim is to be allowed in full with no increase or decrease in the amount requested in the claim. NPA paragraph 50663 will automatically be typed as an explanation. Enter tax year, amount of claim, and revenue code. (See MAPM 7025 for revenue codes.) It is not necessary to put a claim number. Indicate if the claim is related or unrelated to another notice issued at the same time.
9. Explanation:

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- a. Denied with no other action--NPA paragraph 50621 should be used followed by an explanatory paragraph.
 - b. Denied with an NPA also being issued on the same year, or different year with the same issue--the denial letter will not be issued until the NPA goes final. This prevents the taxpayer from having to appeal a claim denial concurrently with filing a protest.
 - (1) Denial with NPA on same year--Use NPA paragraph 50625.
 - (2) Denial with NPA on same issue on a different year--Use NPA paragraph 50621 with explanatory paragraph, and a note "Do not type until concurrent NPA on taxable year _____ goes final."
 - c. Allowed in full. NPA paragraph 50663 will automatically be typed. If an additional explanation is needed, it should be written in this area.
10. Paragraph: Indicate whether NPA paragraph 53400 should be used by placing an "X" in the box and inserting the month and year for the taxable year(s) to which it applies.

NOTE: Include form FTB 6638 in the completed report package. See MAPM 6010.

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7060 WATER'S-EDGE ELECTION FEE

If the Water's-Edge election fee is modified as a result of an audit of other issues, or if the election fee is modified as a result of an audit of the election fee itself, an NPA or O/A will be issued to reflect the changes. (The water's-edge election fee was only applicable for years beginning on or after 1/1/1988 through years beginning before 1/1/1994. The fee was repealed for years beginning on or after 1/1/1994.) However, since the Water's-Edge election fee data is posted to a different system than the BETS system, a separate NPA or O/A must be prepared, if applicable. The NPA worksheet (form FTB 6830-BCT) will be prepared in the same manner as usual except for the following:

REVENUE CODE

The revenue code is prepared in accordance with **MAPM 7025** except for the fourth and fifth digits (program code). The following code is applicable for revising the Water's-Edge election fee and penalties:

W/E FEE 76

If the audit adjustments result in an overassessment, the program code should not be the same as the revenue code of the original return. The fourth and fifth digits of the code should be changed to be Water's-Edge as above.

PREVIOUSLY ASSESSED WATER'S-EDGE FEE

The amount of previously assessed fees may not be obvious on the tax return. Generally, it would be reflected on California Form 100-FEE-A. The auditor should contact the designated program specialist in MSA Technical Resource Section to request a FAX copy of the taxpayer's water's-edge account transcript, in order to verify the previously assessed water's-edge fees. The water's-edge fee database is maintained with a separate computer system and is not available on BETS.

PENALTIES

The Water's-Edge election fee is subject to the same interest and penalties as any tax deficiencies. See California Revenue and Taxation Code Section 25115(h) that was in effect prior to its repeal. The same procedures used to prepare an NPA apply. The more common types of penalties that might apply would be the failure to furnish and late filing penalties. Any questions on applying penalties should be directed to the MSA Technical Resource Section Unit.

PARAGRAPH NUMBER(S)

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There are no prepared paragraphs for Water's-Edge audit adjustments; therefore, the auditor must compose a paragraph appropriate for the adjustment. A sample paragraph is shown on the exhibits.

7070 AUDIT REPORT COVERSHEET (FORM FTB 6430)

The form FTB 6430 is the cover sheet for the auditor's report. It also serves as the transmittal document to Technical Resource Section. It is available in * * * * *.

INSTRUCTIONS

1. **Program Office** – Automatically populates.
2. **PUC** – Automatically populates.
3. **Earliest Statute** - Enter the earliest date on which the statute will expire for making an assessment or allowing a refund for any of the returns under audit in the affiliated groups. If earliest statute applies to an affiliate put "AFFL:" below the expiration date. If the statute will expire within four months after the file is submitted to review, circle the statute in red.
4. **Identification No** – PASS automatically populates this section with the taxpayer's full name, address and identification number.
5. **Boxes**
 - (a) **Claims** - Check if there is a formal or informal claim (any overassessment other than generated by audit).
 - (b) **Non Review** - Check if the case does not require TRS review.
 - (c) **RAR Pending** – Provide the wokpaper reference for the IRS contact and substantiation of the federal exam.
 - (d) **Taxpayer's Copy** - If the original return is not in field and audit is made from representative's retained copy, send copy of return, clearly marked "copy" to Central Office. At Central Office the return must be located for verification of previous assessment.
 - (e) **Bankruptcy** - Check only if case in which the period for filing bankruptcy claim has not expired. Notices must be issued promptly. The final date for filing the claim is six months after the date set for the first creditors' meeting, except for arrangements under chapter proceedings (e.g. Chapter 11, 12, 13). In cases involving arrangements under chapter proceedings, the claim must be filed before the plan of arrangements is confirmed. If under a Chapter 11 proceeding (only), a corporation is adjudicated rather than having its plan confirmed, all claims must be filed within 60 days of the date of Notice of Adjudication (Bkcy Act Sec. 378, Chap. 11). The final date for filing the claim should be entered at item 18 "Special Remarks."
 - (f) **Protested** - Check if the file includes a case in which an NPA previously issued is under protest and the auditor is recommending action to be taken on the protest. Files with "Docketed" protest must be approved through Legal's Protest Section. Do not check this item to indicate that the taxpayer will protest.
 - (g) **Taxpayer's Position** – Double click on the position listing and make a choice from the drop down list.

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6. **Taxable year** – Enter the years examined, starting with the earliest year first.
7. **Statute Extended** - Enter the SOL statute date or the extended SOL date for each year under audit. If no SOL date, explain why, such as fraud or no return. If extended by a Federal waiver, this should be shown and should be entered as "FW 6/30/0X" (with the Federal date and not the date six months later applicable for State purposes under Section 25663a). If the six months statute applies under Section 25674, the actual statute date should be entered here. If the statute has expired on a referenced return, enter a dash.
8. **Federal Action** - "RAR" should be entered if the report is available. If there is information the IRS is making or will make an audit, write "Pend" on this line. If there is no indication a Federal audit will be made, write "No." If there is an RAR pending for any other years, show this information in "Special Remarks" and check "See Remarks" at right.
9. **Def or O/A** – Enter the tax change amount. The tax change amount is the amount of the assessment, the amount of overassessment, or the portion of any claim for refund disallowed for the year(s) under audit, plus any penalties assessed, and any interest paid. Tax change also includes any amount allowed in excess of the amount claimed for refund. (Write overassessment amounts in parenthesis.) Do not include any reductions to NOL or credit carryover amounts affecting years subsequent to the years audited. Identify these amounts in the "Special Instructions" box.
10. **Names and Dates.** The auditor's name and address automatically populate. The date submitted, the reviewer's name and number must be manually entered.
11. **Special Instructions** – List all related returns in this section, including name, CCN and tax years. This is important so that the files will be kept together through processing.

Include any reductions to NOL or credit carryover amounts affecting years subsequent to the years audited.

This section can also be used to call attention to a special item.

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7080 AUTHORIZATION FOR SINGLE NOTICES (FORM FTB 4523B)

In all audits where California reporting entities have filed separate returns and are being combined by audit, or have filed a combined report and are being decombined by audit, an Authorization for Single Notice (form FTB 4523B) should be secured from the taxpayer. This form is found in the * * * * *

If the taxpayer does not sign the authorization, the auditor must prepare an intrastate apportionment of the income and issue separate notices for each of the California reporting entities that filed separate returns.

Note: As long as a Schedule R-7 for 1992 or subsequent was executed, the blanket waiver will generally be acceptable even if the auditor is proposing to "decombine" the taxpayers or if one or more of the taxpayers have been sold. Judgment should be used of course -- if a taxpayer is asking to terminate their R-7 relationship, the auditor should obtain separate waivers to avoid potential problems. (Likewise, single notices can be mailed to taxpayers filing on a 1992 or subsequent Schedule R-7 regardless of whether a taxpayer has been decombined or sold, but the auditor should consider issuing separate notices if the taxpayer so requests.)

If separate notices are issued, payments of previously assessed tax will be allocated to the California entities in accordance with the Schedule R-7 filed with the original return if intrastate apportionment was used to prepare the original return. If intrastate apportionment was not used, the previously assessed tax must be assigned back to the members based on intrastate apportionment principles (See Legal Ruling 95-2).

INSTRUCTIONS:

- 1) Enter the Taxable years for which the notices are to be issued. One authorization may be used to cover all years under audit.
- 2) Enter the name of the corporation that has been designated to receive the notice(s). This will usually be the key corporation.
- 3) Enter the address of the designated corporation where the notice(s) is to be mailed.
- 4) Enter the California corporation number of the designated corporation.
- 5) Enter the federal employer number of the designated corporation.
- 6) Enter the name and California corporation number of each California reporting entity, which is covered by the single notice.
- 7) The signature of an officer or authorized agent must be obtained for each of the California reporting entities. Also, print the name and title of the officer or authorized agent who signed the form on behalf of the California reporting entity.

- 8) This authorization must be dated and signed by the principle officer (president, vice-president, secretary, treasurer, secretary-treasurer) or by a duly authorized agent of the designated corporation.
- 9) The telephone number, name and title of the person signing for the designated corporation must be entered.

Note:

By submitting Schedule R-7 of Form 100 the taxpayer is indicating election to file a single return for the entities included in the combined report.

MEMBERS NOT INCLUDED IN THE AUTHORIZATION FOR SINGLE NOTICES

Members with Different Accounting Periods: Because of statutory filing requirements, corporations having different accounting periods may not be included in the authorization for single billings. In these instances separate notices are issued.

Part-Year Members: Have there been reorganizations, liquidations, or changes in ownership? Corporations that become a member of the unitary group after the beginning of the taxable year or cease to be a member of the unitary group during the taxable year may not be included in the authorization for single billings. For example, if a California reporting corporation is a member of a combined group for only the first six months, a separate notice must be issued with the first six months of operations determined by combined report procedures and income for the last six months determined by separate accounting. See APR 83-3, 85-3, 85-5, 85-6, and 88-1.

Bankrupt Members: Separate notices should be issued in bankruptcy cases. The court may not recognize the single notice authorization. The key company may have no assets. Unitary affiliates may not be in bankruptcy or may have assets for payments to creditors.

Suspended Members: Suspended corporations do not have the right to file protests or claims for refund. Therefore, separate NPAs should be issued to suspended corporations so that the assessments can be allowed to go final.

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7090 RUSH ACTION SLIP (FORM FTB 7011)

Form FTB 7011 (Rush) is used in the following circumstances:

- *****
- If the statute of limitations will expire within 90 days after the file leaves the unit.
- Bankruptcy cases.
- When Corporation and Personal Income Tax NPAs are involved, to coordinate the mailing date of notices.

The form must be completed in full and attached to the case as an instruction to Business Entities Audit Technical Support.

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Reviewed: January 2006

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7110 THE ABATEMENT/REFUND MEMO (FORM FTB 6163)

This form is available in the *****. The auditor shall complete form FTB 6163 in the following manner:

1. TO: enter "Multistate Audit Program Bureau."
2. FROM: enter the appropriate Multistate Audit Program.
3. RE: enter the taxpayer's name.
4. CORP NO: enter the taxpayer's corporation number.
5. TAXABLE YEAR(S): enter each taxable year for which an abatement/refund is being issued.
6. ABATEMENT/OVERPAYMENT AMOUNT: enter the amount of change in tax and penalty per taxable year. Enter the amount in parenthesis.
7. BASIS: include a brief explanation why the amount is being refunded.
8. STATUTE: enter the earliest statute of limitations date. ***This section must be completed.***

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7120 SUPPLEMENTAL ASSESSMENTS (FORM FTB 6213A AND/OR FORM FTB 5903)

Form FTB 5903 (Bank and Corporation Tax Supplemental Assessment) is used by Multistate Audit Technical Resource Section to assess Domestic Disclosure Spreadsheet (DDS) penalties. This applies to taxable years beginning before December 31, 1993 (for water's-edge cases involving entities that failed to comply with the DDS filing requirement).

Form FTB 6213A (Accounting Instructions/Corp) is used for all other account adjustments. This form can be used to request most adjustments the auditor requires by checking the appropriate boxes provided or writing instructions on the "Other" line. The form is available on PASS. *****

The primary purpose of form FTB 6213A is to assess or cancel tax based on amended returns, issue credit balance refunds, and to deny informal claims for refund. Also, the form is used to request miscellaneous transactions to clean up or close a taxable year. Procedures for completing the form are as follows:

1. To assess tax based upon an amended return received during the course of an audit where payment has already been made, the auditor should:

- Write the corporation number and taxable year on the lines provided at the top of the form.
- Determine the correct net income and include that figure on the taxable income (Revised) \$ line.
- Determine the correct liability. Check the Supplemental Assessment box and enter the additional tax in the box marked Tax.
- Enter the transaction date, which will be the date the amended return was received.
- If a penalty is required, figure the amount or write "as needed" in the penalty box and request that BES Audit Technical Support compute the amount.
- Enter the transaction date, which will again be the date the amended return was received.
- On the line for "Reason," write 100X or amended return.

2. To cancel tax based upon an amended return or to reduce an NPA which has "gone final" and posted to the taxable year, the auditor should:

- Follow the initial steps listed above and mark the Cancel box.
- Enter the transaction date. (For canceling tax on an amended return, the date will be the date of receipt of the amended return. For canceling NPA tax, the date will be the date the NPA became final.)
- If the cancellation will result in a refund, check the refund box. "Balance" should be written on the amount line.

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- If no refund is due and the taxable year will remain billable, check the Billable Balance box.
- 3. To issue a refund based on an amended return that is not a formal claim, the auditor must:
 - Follow the procedure to cancel tax above. This will create the required credit.
 - Use the paragraph number 60000.
- 4. To issue a credit balance refund to clean up an taxable year, the auditor should:
 - Determine that the credit is legitimate. If the auditor is unsure, the case may be referred to BES Audit Technical Support for analysis.
 - Once the correct credit is determined, mark the Refund box.
 - Write "Balance" on the Amount line.
 - Use the paragraph number 60004.
- 5. To deny an "informal" claim for refund the auditor should:
 - Mark the Denial box.
 - Use the paragraph number 60001.
 - Include a written explanation.
- 6. To transfer credits between taxable years and corporations:
 - Mark the Transfer box.
 - Fill in the corporation number, years, and amounts in the boxes provided. Initial and date the form.
 - Staple the form to the corporation folder and route to BES Audit Technical Support for action.
 - If the auditor does not have the folder a "dummy" folder should be made.
 - * * * * *

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7130 CORPORATION MEMORANDUM OF REMITTANCE (FORM FTB 6352)

INSTRUCTIONS FOR COMPLETING FORM FTB 6352:

1. Name of entity for which the payment is made.
2. BETS code identifying the type of number used for the entity ID. (Most common is "*" for corporations.
3. Entity ID. (Most common is a * * * * * number for corporations.)
4. Date payment is first received by FTB. (This is the date received by receiving section.)
5. Total amount of payment.
6. 2-digit code for the account type on which the payment is to post. The most common are:
 - "*" for a B&C account or
 - "*" for a NB&C account. Used when a payment is for an NPA that has not yet been issued or for an NPA that has been issued but has not yet gone final.
7. Taxable year is the last day of the taxable year for which the payment is made.
8. Enter the total amount to be posted to on the account type and taxable year identified.
9. Enter your payroll unit, number and initials.

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7140 NOTICE OF ACTION / REVISION

Notice Of Action / Notice Of Revision

Notices of Action (NOA) and Notices of Revision (NOR) are prepared using the Notice of Proposed Assessment (NPA) (FTB 5830) [or the Notice of Action (NOA) (FTB 5931) in the case of needing to issue an NOA which supercedes the original NOA due to an error, etc.] as a worksheet following the instructions provided below. All changes to the figures and text should be made on the NPA or NOA in red pencil as follows:

1. In the upper right hand margin of the NPA or NOA, write in red the following three lines:
 - The type of notice to be mailed. Write "NOA-A", "NOA-W" or "NOA-R" for a Notice of Action or write "NOR-W" or "NOR-R" for a Notice of Revision. (Note: An NOR cannot be affirmed.) If a memo/do not mail Notice of Action is being prepared, write "Memo-Do Not Mail" above the notice type.
 - The next line should indicate your unit number and your initials.
 - The last line should be the date of your action.
2. Verify that the NPA address is current by writing "OK" in red next to it. If the address is not current, update it by crossing it out and writing the new address.
3. When an item of adjustment on the original NPA is unchanged the original explanation is to be deleted. Bracket the portion of text to be deleted in the left margin and write "out."
4. When an adjustment is eliminated entirely, bracket the portion of text to be deleted in the left margin and write "out." In addition, draw a line through the amount to be deleted in the adjustment column.
5. When an adjustment amount is modified, draw a line through the amount being changed and write the correct amount to the side, above, or below it, as is convenient and clear, and revise the explanation as required. When an item has been revised but the explanation still applies, indicate by noting "OK to type" at the left side of the explanation.
6. When a new item is introduced, write in the adjustment and add a paragraph of explanation. Note that an NOA cannot increase the tax above the original NPA tax. Refer to ABPS 99-3 for guidance on raising new issues at protest. It may be necessary in such cases to issue a new NPA in order to allow the taxpayer their protest rights.
7. The notice must clearly explain the basis for the adjustments regardless if the taxpayer agrees or disagrees with the action being taken. It is acceptable to refer to a position letter.

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8. The listing of credits available on applicable taxable years is mandatory on NOAs and NORs. The taxpayer's account must be reviewed for applicable credits/payments at the time of final action on the protest. Add a paragraph to the NPA or NOA acknowledging the payment(s) (i.e. ¶50699 or ¶50702).
9. If a memo-do not mail notice is being issued, add a paragraph explaining the reason.
10. If a carbon copy (cc) of the notice needs to be sent, at the bottom of the NPA or NOA write: "cc:", the name and address then circle the information. This makes the cc, name and address stand out from the text of the notice.
11. For manual notices, FTB 6031 (blue flag) (for NOAs) or FTB 6031A (gold flag) (for NORs) is always affixed to the underside of the lower right side of the NPA or NOA in such a manner that it will not cover any material to be typed and so that it extends over the edge approximately one inch. If the NPA is for a water's edge election fee, an FTB 6094 (pink flag) is used instead of the FTB 6031 (blue flag).
12. Revenue data will be accumulated by the Revenue and Cost Clerk from the audit copy of Form FTB 5830 and Form FTB 5932. It will, therefore, be necessary to type the revenue code from the NPA being revised

In most cases, the NOA or NOR can then be entered into BETS (see MAPM 16140 - MAPM 16190). The degree to which the above steps are completed for cases which will be processed using BETS may depend upon unit procedures. However, certain situations will require manual rather than BETS processing. MAPM 16200 provides a list of situations for which manual processing is required. Once the steps above are completed the case will be ready for manual processing.